BEAUTY TRENDS | Hair Care

1989 hair care dollar sales through food and drug stores

(Sales in millions of dollars, for the 10 months ended Oct. '89)

	Total food & drug store Sales	% chng	Food store sales	% chng	Drug store sales	% chng
After shampoo	$ 541.8	6.6%	$ 298.4	7.3%	$ 243.3	5.9%
Shampoo	954.7	5.9	612.6	6.0	342.1	5.8
Hair color	348.0	4.3	93.9	3.1	254.1	4.8
Fixatives	403.4	(1.3)	238.0	(1.8)	165.4	(0.5)
Ethnic	194.4	1.8	55.2	0.6	139.3	2.8
Men's hair preps	89.9	(1.8)	46.0	(2.6)	43.9	(1.0)
Perms/waves	77.3	0.9	22.8	1.4	54.4	0.7
Mousse	90.4	(4.4)	51.8	(1.6)	38.6	(7.8)
Total hair care	2,700.0	3.6	1,419.0	3.7	1,281.0	3.5

Source: Nielsen Marketing Research

Three-year hair care sales growth & share trends

(In millions of dollars)

	Food stores	Drug stores	Total
1989* sales	$1,419	$1,281	$2,700
% change	3.7%	3.5%	3.6%
Share of sales	52.6%	47.4%	100.0%
1988** sales	$1,641	$1,471	$3,112
% change	5.6%	5.9%	5.7%
Share of sales	47.3%	52.7%	100.0%
1987** sales	$1,554	$1,390	$2,944
% change	2.4%	1.4%	1.9%
Share of sales	52.7%	47.3%	100.0%

*For the 10-month period ended October 1989

**For the full year ended in December

Source: Nielsen Marketing Research

Hair care merchandising a family affair for drug chains

Cont. from page 27

say it is new products and relaunched, repackaged products, rather then segments, that are driving their business. Some buyers were excited about the New Revlon Internationals launch and the Helene Curtis launch of Degree, which is being backed up by a $35- to $40-million ad budget.

Revlon is not spending anything like that, however, to support Internationals, and as a result, there are buyers who are skeptical as to how big a splash it will make. Some felt that without aggressive ad support, it will make a minor impact and then fade from sight. A few said they felt the packaging doesn't justify the higher-price points.

Almost everyone said that specialty products for thinning hair have been disappointing, and they expect the category to be a "slow build." Shulton's Thrive and Revlon's Nutrasomme are still turning slowly, while Pantresse's Folicure still seems to be the best line in the segment, buyers said.

Several buyers who merchandise these brands in men's grooming said they are thinking of remerchandising them in the regular hair set. "Women don't shop the men's section as much," said one source, "and it's really the women who will buy these kinds of things for their men. I also feel there may still be a stigma to products that say they are for thinning or balding hair. Men may be put off reading that. It's sort of a taboo to admit you're balding."

In metropolitan stores, Clairol's new Option Hair coloring for men seems to be catching on and Grecian Formula's Just For Men is also continuing to do well, according to merchant reports. But in some Midwestern stores and in more rural areas, Option, in the words of one buyer, "is not setting the world on fire yet."

Again, buyers said they are rethinking merchandising strategies for men's hair color. Several chains are trying to decide if they should cross-merchandise these lines with women's color, as well as with grooming to try to capture a wider variety of shoppers, especially women shopping for men.

Hair color doing well

Women's hair color is still doing well, with growth averaging between 6 percent and 10 percent, depending on the chain. In some Midwestern markets, however, the category has gotten very competitive with chains like K mart, F&M and Target often advertising top brands below cost.

In styling aids, most buyers say they see their best turns on any aid that promises ultimate hold or maximum hold. "If it's a regular hold, forget it," said one source.

Multi-benefit products are also doing well in hair care, just as they are in skin care and cosmetics. "The more a product can do, the better," said Perry's Gorley.

Styling aids that shape the hair while enhancing shine or conditioning are doing well, as are shampoos and treatments with moisturizing and conditioning benefits, with volumizing and curl revitalization benefits.

Buyers also said that repackaging brings more growth to the category. The new L'Oréal packages for shampoos and treatments and Revlon's new package for Flex have done well, buyers said. Many sources think the new Condition re-launch will also be well received.

Higher-end brands are doing well without hurting sales for the best known value brands. Almost all buyers interviewed said their sales for brands like Breck, White Rain, Aqua Net and VO5 were "excellent," with most buyers saying they were still selling a ton of these brands.

Left: **Ike's in Memphis reinforces the value of its brand name hair care products with shelf signs and broad displays of fast-turning established products.** ***Right:*** **Deep discounters such as Drug Emporium make major statements in high-ticket professional hair care, often devoting 28 feet to the image lines.**

Hair Accessories

BEAUTY TRENDS

New products stir interest in hair accessories

Drug stores can expect significant growth in hair accessories, as buyers told *Drug Store News* they are seeing an influx of new companies weave their way into the hair implement and fashion accessories business.

While the hair ornament end of the business is cyclical and responds to ever-changing fashion trends, hair implements, such as brushes and combs, remain basic. But, in both segments, buyers are seeing new players.

"In the last year, I've been hearing from vendors who have just decided to get into the business," said

Buyers said fashion is the driving factor in hair ornaments, which can yield margins as high as 60 percent.

Stephanie Hayter, cosmetic buyer at Genovese. She said she's even seen a ribbon company show her some of their new hair accessories, and she believes growth may come these new businesses.

Penny Wade, cosmetics and toiletries buyer at Harco, agreed. "Other players are opening doors in the category," she said, citing Conair, which has recently introduced a line of quality hair brushes.

Currently, the chain uses Wilhold, the Sunbury, Pa.-based hair accessories company which makes hair brushes, combs, pins, rollers, hair clips and barettes. The company was bought recently by American Greetings. "We will have an opportunity in the future to swap areas in our set" with merchandise from other manufacturers," Wade said.

Some buyers are surprised by the continued growth of hair accessories. Susan Lund, buyer at Snyder's Drug Stores in Minnetonka, Minn., said the category "has been on an upward trend for several years now, and I keep thinking it may level off or drop, but so far it hasn't." Lund said she felt this way because in the last few years, long hair was the trend, but now shorter hair seems to be in vogue.

Not in the South, where Wade reports: "Here we have more perms per square mile than anywhere else in the country." She noted that home permanent rods and permanent kits sell big in the chain's hair care section. She said shoulder-length permed hair is the style most Southern women choose.

Regardless of hair length and texture, buyers said fashion is the driving factor in hair ornaments, which can yield margins as high as 60 percent. Howard Matzner, vp of Orginalities, under the direction of Cool-Ray Optics in Woodside, N.Y., said: "In the past, drug stores carried a basic line, where a woman walked in on the premise of buying a hairclip, and that's what she did. Women today may go into a drug store wanting to buy shampoo, but may also buy a hair accessory which caught their eye."

Most drug stores place their fashion hair accessories on a floorstand spinner rack in the cosmetics department or adjacent to their basic hair accessories mix. Patty Boster, cosmetics buyer at 13-store Fruth Pharmacy in Point Pleasant, W. Va., said the chain merchandises a floor display of fashion hair accessories in four of its stores, where higher-ticketed items sell well. The rack, by Karina, is located in Fruth's cosmetics department, and carries price points over $4, Boster said.

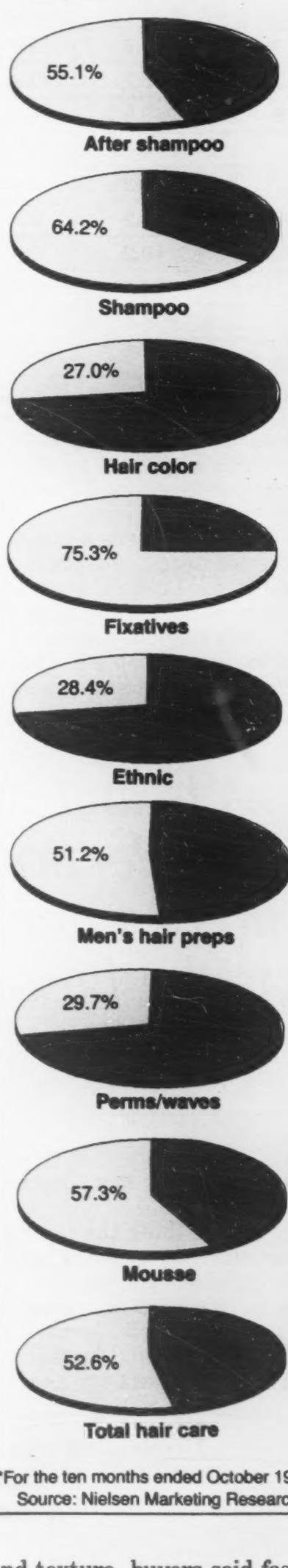
Genovese uses floorstands and promotes the category on an in-and-out basis to combat soft sales."Back-to-school and major holidays like Christmas and Easter are perfect for promoting children's hair accessories. All mothers are looking for headbands when their children start school," Hayter said.

Adult women shoppers at Genovese like the higher-ticketed items that mimic department store offerings, like velvet bows, pearl accents and larger barettes for dressy wear. Hayter said these items sell best at Christmas.

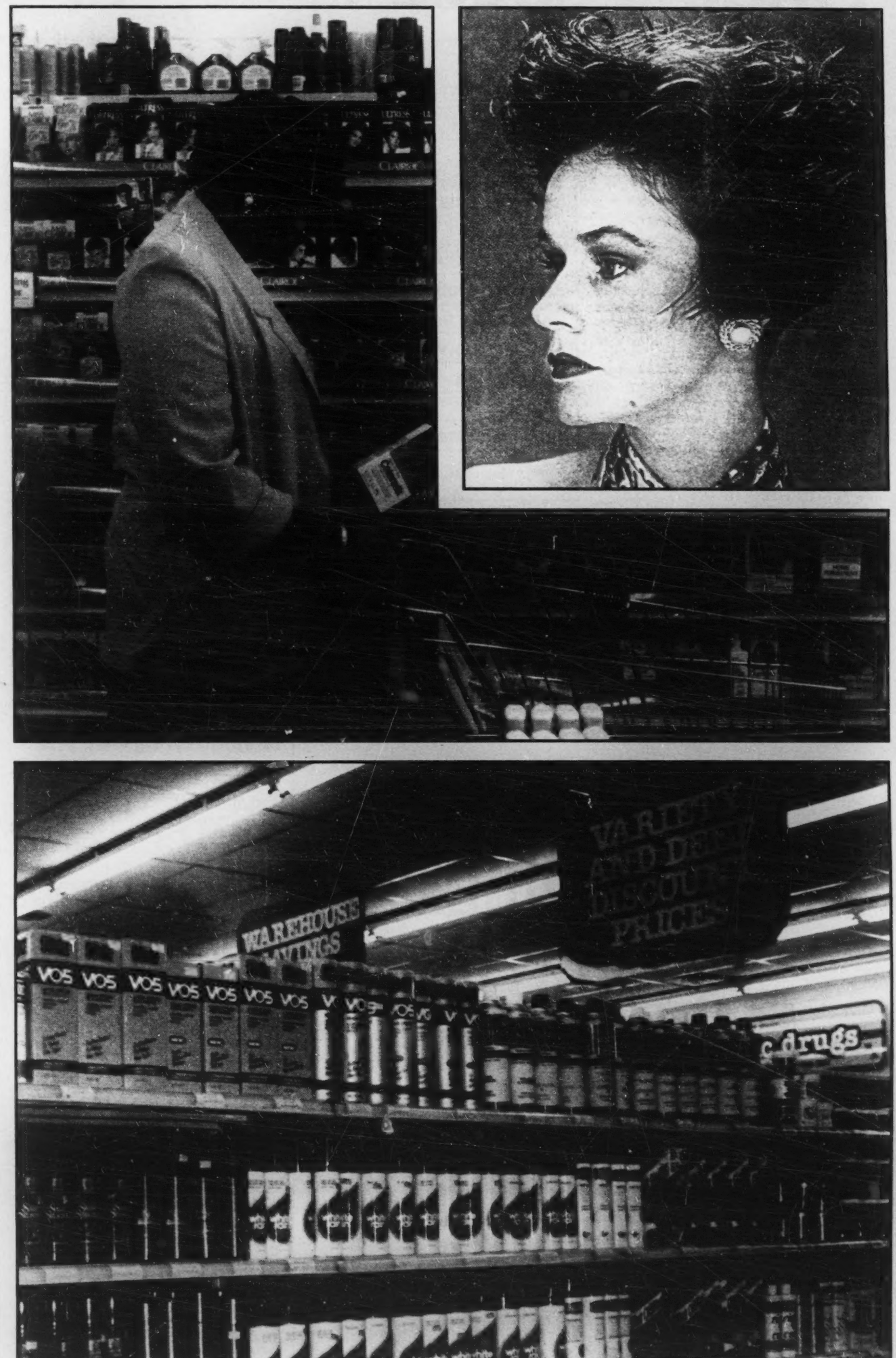
Lund at Snyder's Drug Stores predicted that this summer, dressy bows and barettes will remain popular. Brighter colors and more flowery, romantic looks will prevail. And, all buyers mentioned neon accents and hot brights as *the* colors this summer, which will show up on hairbrush handles, ponytail holders and headbands.

Market share trends for hair care category segments

(1989 dollar share: food versus drug)



*For the ten months ended October 1989
Source: Nielsen Marketing Research



Top: **Hair coloring is anything but an impulse purchase, with consumers set on a particular shade and learning to use shelf-edge computers such as Clairol's to make a good color match.** ***Above:*** **At Arbor Drugs in Michigan, hair sprays are planogramed for maximum turn and private label savings are denoted clearly in shelf signs.**

BEAUTY TRENDS | **Skin Care**

Finding space is key to skin care success

Most skin care buyers are convinced they can grow sales by 15 percent or better this year "if" they can find the space to merchandise the category the right way.

Most buyers feel that the best way to merchandise skin is to create what Genovese's Stephanie Hayter calls a "super" skin care set either on the wall or in gondolas within the cosmetics department. The consensus is that the super set should contain a selection of the fastest-turning cosmetic or franchised skin care lines as well as the best-selling upscale mass lines which are usually merchandised in the H&BA skin care aisle. Some chains also include upscale bath products, depilatories, sun care and acne products in their ideal planogram for this kind of set.

The problem is that most chain merchandisers feel they have to devote at least 20 feet, preferably 28 feet, to do justice to such a set, and they find it extremely difficult for many stores to find the space for such an approach.

In addition, many buyers feel it is important to keep at least some franchised skin care lines with their "family"—Almay skin on the wall with Almay color cosmetics, for example, or Clarion skin on the wall with Clarion color, Revlon franchised skin, Moondrops, Eterna, Pure on the wall with Revlon color, etc.

This means buyers have to be prepared to duplicate inventory, at least for a select number of SKUs—generally the better-turning moisturizers, toners and cleansers.

But given all the potential of the skin care category—so many new launches, so large a market of women concerned with aging, sun exposure damage and environmental stress—most major chains are working on creating a central set, convinced it will drive the category's sales into double digit increases.

Growth trends in skin care sales
(Sales in millions of dollars, for the 10 months ended Oct. '89)

Category segment	1989* food & drug sales	% chng	Food store sales	% chng	Drug store sales	% chng
Bath products	$ 146.4	0.0%	$ 55.5	(5.3)%	$ 90.8	3.6%
Depilatories	36.0	(4.3)	10.9	(5.2)	25.2	(3.9)
Face lotions/creams	405.7	15.3	121.8.	17.8	283.9	14.3
Hand/body lotions	391.7	8.6	180.8	10.3	210.8	7.1
Chapped lip preps	44.7	(4.2)	20.1	(6.3)	24.6	(2.3)
Sun tan lotion/oils	290.8	9.6	101.6	16.6	189.2	6.2
Baby lotions	24.3	(2.2)	14.1	(3.9)	10.2	0.2
Baby oils	48.7	(9.8)	28.5	(10.1)	20.1	(9.3)
Total skin care	1,388.0	7.8	533.5	8.3	855.1	7.6

Source: Nielsen Marketing Research

The consensus is that the 'super set' should contain a selection of the fastest-turning cosmetic or franchised skin care lines, as well as the best-selling upscale mass lines.

At Genovese Drug in New York, Stephanie Hayter is working on a super planogram that will put all the skin and franchised lines together.

In stores where she can find the space, she plans to test it on the wall. In stores where wall space is tight, she will merchandise it on gondolas, probably in the first adjacent toiletry aisle, traditionally one that Genovese until now has allocated to hair color.

"I don't think the typical hair color customer is buying on impulse," she says. "I think that customer usually knows the shade they want and comes in and buys it. But if you take Olay and put it in a super set with a lot of other skin care items, including the franchised brands, you might be exposing that user to a whole lot or product they're not familiar with. So if we had skin care that close to cosmetics, they could depend on the cosmetician to answer any questions.

"And here, I think we would get impulse sales as people decide they're ready to try something new."

Like many retailers, Hayter was working with Revlon to get new fixtures to create a generic set. She also plans to use some of the new fixtures from Almay to improve the family set for that brand.

Hayter thinks that of all the skin care manufacturers, Almay has done one of the best jobs positioning its skin care products by type of skin care problem: oily, dry or normal.

"That's how customers are used to thinking of skin care and that's the easiest approach to understand," she said. The new Almay family fixture lets the retailer also merchandise the related Almay liquid make-ups by skin type. Hayter feels that approach should do well generating incremental or companion sales.

Other buyers also agree

Continued on page 38

Three-year skin care sales: growth & share trends
(In millions of dollars)

	Drug stores	Food stores	Total
1989* sales	$855.1	$533.5	$1,388.6
% change	7.6%	8.3%	7.8%
Share of sales	61.6%	38.4%	100.0%
1988** sales	$929.7	$583.8	$1,513.6
% change	14.9%	12.6%	14.0%
Share of sales	61.0%	39.0%	100.0%
1987** sales	$808.8	$518.3	$1,327.2
% change	7.8%	7.5%	7.7%
Share of sales	61.0%	39.0%	100.0%

*For the 10-month period ended October 1989.
**For the full year ended in December
Source: Nielsen Marketing Research

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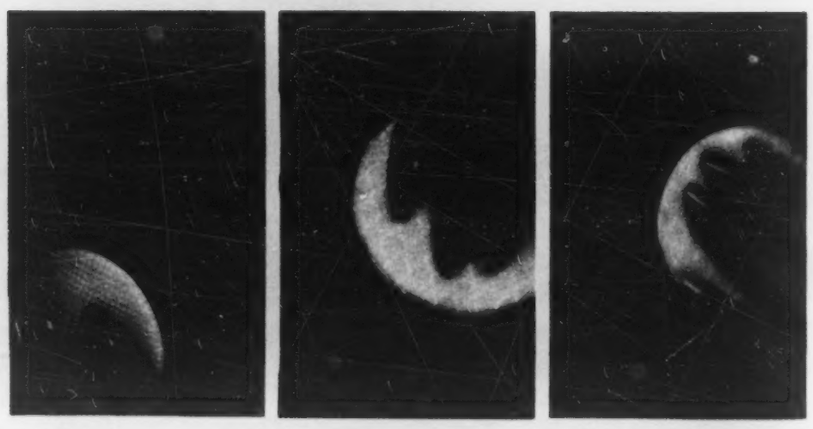

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*Source: Simmons Market Research Bureau, Inc. 1987.

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BEAUTY TRENDS | **Skin Care/Sun Care**

Space key to skin care merchandising

Continued from page 34
that lines like Almay and Clarion are probably best left with their family.

Family sets make statement

"Almay first evolved as a skin care line and has been very successful in that area," said the director of cosmetics for one major Southeastern chain.

"If you separate skin from color, you'll probably lose some color sales, and the same for Clarion. Clarion is stronger as a color line, but its skin has been doing very well too. Now if we separate skin from color, we'll probably lose some Clarion skin sales. But with space so tight, it's really hard to know what's right to do."

This chain hopes to begin testing four or five different ways of merchandising skin care within the next two months. They feel that hair color should not be located too far away from the cosmetics area because their own consumer research indicates that customers have plenty of questions about this category.

Because the chain has stores ranging in size from 6,000 to 10,000 square feet, the final skin care planograms will have to be modified by store type. Management thinks a 20-foot set will be implemented, although 28 feet seems to be needed.

The test will include a planogram that keeps at least some select franchised lines with their family on the wall; a generic set that puts select franchised and mass lines together close to or in cosmetics; a set that puts franchised and mass lines just in the toiletry aisles, and a set that includes additional display space for étageres and towers.

They still haven't decided what to do with acne, but the new planogram will include depilatories and at least 6 feet for an everyday sun care section, possibly even 8 to 12 feet in sunbelt and larger stores.

Space constraints

At SupeRx in Cincinnati, where management is also working on a new skin care planogram, space is also tight. The chain is trying to develop a minimum 20-foot set that would link mass skin with some everyday sun care and deplilatories, as well as an "ideal" 36-foot set that would expand the 20-foot set with 4 more feet for franchised brands as well as space for bath and shower products.

Mike Russell, cosmetic merchandiser at the chain, said placing franchised brands with mass would give mass customers a chance to "trade up" to the more expensive franchised lines. So far, growth for franchised lines has been relatively slow in most SupeRx stores, but the mass category has been able to generate double-digit growth in the low teens.

By merchandising all skin care products together and giving the planogram a more organized presentation, Russell thinks it may be possible to generate growth between 15-20 percent a year or better.

But because space in SupeRx stores is tight, Russell will probably not continue to carry his franchised lines on the cosmetic wall with their families.

He's been working with Almay on fixtures that would organize his generic set by manufacturer for the franchised companies and by lines for the mass brands. He's also hoping more mass manufacturers will develops shelf organizers like the ones used by Neutrogena and L'Oréal for Plenitude.

Russell was hoping to get the planogram rolling out to the stores by March and to finish by mid-year.

Chain drug stores versus independents: Comparison of skin care growth and share of sales by segment

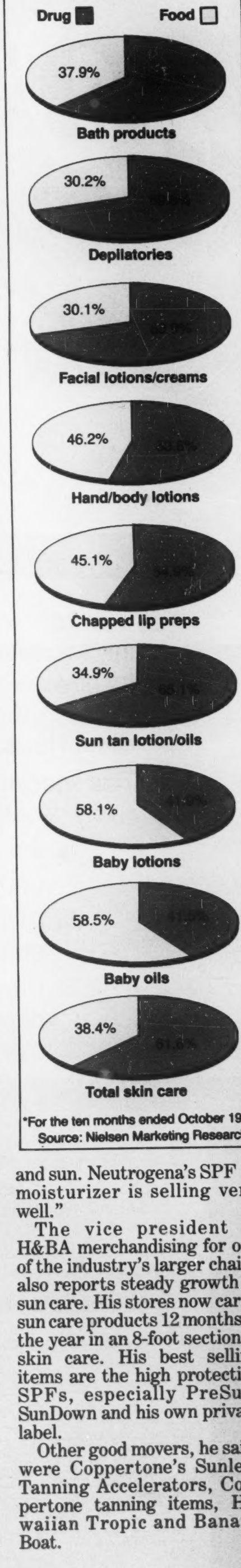
(Sales in millions of dollars, for the 10 months ended Oct. '89)

	Chain sales	% chng	Chain share	Indy sales	% chng	Indy share
Bath products	$ 66.8	4.6%	73%	$ 24.0	(0.9)%	27%
Depilatories	20.8	(0.7)	83	4.3	(16.9)	17
Facial lotions/creams	223.3	18.1	79	60.6	2.0	21
Hand/body lotions	161.6	11.8	77	49.2	(5.7)	23
Chapped lip preps	17.2	(2.0)	71	7.4	(3.0)	29
Sun tan lotion/oils	147.9	12.6	78	41.3	(11.7)	22
Baby lotions	8.7	1.9	85	1.4	(8.6)	15
Baby oils	17.2	(5.9)	85	2.9	(25.4)	15
Total skin care	663.8	11.7	78	191.3	(4.6)	22

Source: Nielsen Marketing Research

Market share trends for skin care category segments

(1989* dollar share: food versus drug)



*For the ten months ended October 1989
Source: Nielsen Marketing Research

Protection heats up sun care sales

Continued from page 36
vendors like Coppertone, Hawaiian Tropic, Banana Boat and others to minimize his investment in marginal or slow-turning SKUs. "I asked vendors to build the pre-packs among their best-selling SKUs. It helped reduce leftovers and eliminated the expense of having to return the unsold merchandise."

Last year, Shade as a line underperformed at Peoples, but this year Schering is repackaging the line. Lehman thinks it will do much better. "They'll be supporting it with more advertising and this year Shade looks like it might be a player."

Almay is launching a new sun care line this year and Lehman is betting this too will be a winner. "I think it'll be a sleeper. It's hypo-allergenic, a niche that's been neglected until now. It also has a very nice ethical-looking package."

Chains that operate small formats, such as Rite Aid, Revco and CVS don't have much space for sun. Rite Aid only works it into the skin care planogram in Florida stores, and on endcaps in season throughout the rest of the chain.

Buyers for the bantam chains also stick with the best sellers—Coppertone, Banana Boat, PreSun, Vaseline Intensive Sun Care and Bain de Soleil among them.

One source said that "overlapping sun with skin care helped overall sales for both categories. Everyone is looking for some kind of protection so we see high-SPF formulas moving very well in both skin and sun. Neutrogena's SPF 15 moisturizer is selling very well."

The vice president of H&BA merchandising for one of the industry's larger chains also reports steady growth in sun care. His stores now carry sun care products 12 months of the year in an 8-foot section of skin care. His best selling items are the high protection SPFs, especially PreSun, SunDown and his own private label.

Other good movers, he said, were Coppertone's Sunless Tanning Accelerators, Coppertone tanning items, Hawaiian Tropic and Banana Boat.

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FINANCIAL

Drug store units pace Imasco to hikes in sales, earnings for '89

MONTRÉAL — Strong performance in its drug store units helped Imasco, Ltd. post a 16-percent gain in net earnings for the fiscal year ended Dec. 31, to $366.1 million (Canadian), company officials reported.

Corporate sales increased 6 percent, to $14.7 billion. Sales and revenues for 1989 do not represent figures for the Grisanti's restaurants and Peoples stores sold, or for the Howie's discount drug stores that were converted into associate-owned Shoppers Drug Mart stores, officials said.

Shoppers Drug Mart reported a 24-percent increase in earnings, to $70.6 million, which Imasco attributed to strong growth and efficiencies realized from the Howie's and Super X conversions. Revenues decreased from $194.9 million to $136.2 million, excluding the Howie's stores' performance for the current year. Officials noted that if the Howie's stores performance were excluded from 1988 figures as well, 1989 revenues would show a 19-percent increase.

Meanwhile, Peoples returned to profitability last year, posting $8.0 million in earnings, compared with the previous year's $8.3-million loss. Peoples saw 325 of its units, "where Peoples' potential was limited," sold last year, Imasco said, and as a result revenues fell from $1.841 billion to $1.207 billion.

Corporate performance for the fourth quarter saw Imasco's net earnings climb 14 percent, to $118.2 million. System-wide sales were $3.9 billion, up 6 percent; revenues were $1.5 billion, down 2 percent (again, largely due to the sale of the Peoples units and the Howie's stores' conversion); and operating earnings increased 7 percent, to $205.0 million.

S&P raises ratings of McKesson's debt

NEW YORK — Standard & Poor's Corp. announced that it had raised its ratings on the senior debt and preferred stock of McKesson Corp., the San Francisco-based drug wholesaler, to single-A plus from single-A. Ratings on the company's subordinated debt were raised to single-A from single-A minus.

About $345 million of debt is affected by the upgrade. S&P said in a *New York Times* report that the upgrade reflects its "greater confidence" that McKesson will "maintain its fine record of financial health."

O&M hits sales record; net income plunges

RICHMOND, Va. — Weak gross margins caused Owens & Minor's earnings to plunge, despite record sales, over the past fiscal year and fourth quarter, the wholesaler announced.

Sales for the year ended Dec. 31 were $952.9 million, a 30-percent increase, while earnings fell 70 percent to $2.5 million. The 12-month results allow for a $2.5-million pretax loss from the devaluation of foreign glove inventory. For the quarter, sales increased nearly 46 percent, to $277.1 million, while earnings fell from $2.1 million to $300,000.

G. Gilmer Minor, III, president and ceo, attributed the company's peformance an overall decline in gross margins, a doubling of interest expense due to acquisitions, and higher tax rates sustained from non-deductible losses incurred by the Harbor Medical subsidiary. Minor was encouraged by declining S, G & A expenses and the improved working capital resulting from increased inventory turns, saying "although disappointed with the results, we are not deterred from reaching our profit objectives in 1990."

Hikes in net income, sales for CVS's parent

WOONSOCKET, R.I. — Increases in both sales and net income were realized by Melville Corp., parent of CVS, for the year and fourth quarter ended Dec. 31.

Year-end net income increased to $398.0 million, from last year's $354.5 million, on sales of $7.553 billion, up from $6.780 billion last year—all reflecting the acquisition of Bermans Specialty Stores, Inc. in November 1988. Per-share earnings increased $.30, to $3.56.

For the quarter, net income increased from $205.3 million to $238.1 million, on sales of $2.519 billion, up from last year's $2.291 billion. Earnings per share increased $.44, to $2.23.

MARKET DIARY:

Largest Dollar Gainer	Durr-Fillauer,Perry Drug	$	1.13
Largest Dollar Loser	Pfizer Inc.	$	– 4.25
Largest Percentage Gainer	Perry Drug		14.52%
Largest Percentage Loser	Bolar Pharmaceutical		– 18.60%

Advances	16
Declines	31
Unchanged	7
New highs	1
New lows	5

	Close 2/5/90	Close 2/20/90	Net Change	Percent Change
Drug Store News Index	2770.54	2724.91	– 45.63	– 1.65
Dow Jones Industrial Average	2622.52	2596.85	– 25.67	– 0.98
Standard & Poor's 500-Stock Index	331.85	327.99	– 3.86	– 1.16
N.Y.S.E. Composite	183.35	181.37	– 1.98	– 1.08
Value Line Index	241.19	238.96	– 2.23	– 0.92

Source: Nordby International Inc., Boulder, Colo.

Exch	Company	Ticker Symbol	Closing Price 2/5/90	Closing Price 2/20/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	19.75	20.00	0.25	1.27	19	0.16	0.80	24.75	10.50
OTC	Big B	BIGB	12.63	12.88	0.25	1.98	18	0.16	1.24	15.25	10.63
OTC	Drug Emporium (L)	DEMP	8.25	7.50	–0.75	– 9.09	11	0.20	2.67	16.38	7.50
NYS	Fay's Inc. (L)	FAY	8.50	8.25	–0.25	– 2.94	11	0.20	2.42	15.00	8.00
ASE	Genovese Drug (L)	GDX.A	9.50	9.50	0.00	0.00	13	0.24	2.53	12.88	9.38
OTC	Leroy Pharmacies (H)	LERY	5.50	5.63	0.13	2.27	– 43	0.00	0.00	5.75	2.88
NYS	Longs Drug Stores	LDG	42.00	39.13	–2.88	– 6.85	13	0.96	2.45	48.50	34.50
OTC	Medicine Shoppe	MSII	20.00	20.00	0.00	0.00	21	0.16	0.80	23.25	16.38
NYS	Perry Drug	PDS	7.75	8.88	1.13	14.52	13	0.00	0.00	13.38	7.38
NYS	Rite Aid Corp.	RAD	32.63	32.00	–0.63	– 1.92	16	0.88	2.75	41.13	29.50
NYS	Walgreen Co.	WAG	42.25	40.88	–1.38	– 3.25	16	0.80	1.96	50.25	34.25
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	22.38	22.00	–0.38	– 1.68	12	0.32	1.45	27.25	19.63
OTC	Bindley Western Ind.	BIND	9.88	9.75	–0.13	– 1.27	16	0.00	0.00	10.75	7.00
OTC	Cardinal Distribution	CDIC	20.75	21.75	1.00	4.82	17	0.08	0.37	25.00	14.88
OTC	Durr-Fillauer	DUFM	20.00	21.13	1.13	5.63	14	0.24	1.14	24.38	18.00
ASE	Ketchum	KCH	2.88	2.88	0.00	0.00	– 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	36.63	35.38	–1.25	– 3.41	15	1.44	4.07	39.75	29.63
ASE	Moore Medical (L)	MMD	8.38	7.50	–0.88	–10.45	– 3	0.00	0.00	15.13	7.50
NYS	Owens & Minor	OMI	10.75	11.25	0.50	4.65	20	0.24	2.13	14.38	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	65.50	64.38	–1.13	– 1.72	17	1.40	2.17	70.38	50.38
NYS	American Home Products	AHP	104.25	100.75	–3.50	– 3.36	14	4.28	4.25	110.25	84.13
NYS	Baxter International	BAX	23.38	23.88	0.50	2.14	16	0.56	2.35	26.25	18.50
OTC	Block Drugs Co.	BLOCA	35.00	34.25	–0.75	– 2.14	13	0.68	1.99	38.00	30.63
ASE	Bolar Pharmaceutical (L)	BLR	10.75	8.75	–2.00	–18.60	5	0.16	1.83	32.25	7.75
NYS	Bristol-Myers Squibb	BMY	52.75	53.00	0.25	0.47	38	2.12	4.00	58.25	44.50
NYS	Carter-Wallace	CAR	55.00	53.63	–1.38	– 2.50	16	0.80	1.49	60.50	39.13
ASE	Forest Labs	FRX	40.75	40.25	–0.50	– 1.23	29	0.00	0.00	44.50	26.25
NYS	ICN Pharmaceutical	ICN	5.00	4.63	–0.38	– 7.50	– 22	0.00	0.00	6.88	4.63
ASE	Lee Pharmaceutical	LPH	1.88	2.00	0.13	6.67	– 10	0.00	0.00	5.00	1.75
ASE	P. Leiner Nutrition	PLI	9.13	9.25	0.13	1.37	14	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co.	LLY	64.25	61.63	–2.63	– 4.09	19	1.64	2.66	69.25	45.88
NYS	Marion Labs	MKC	25.88	25.50	–0.38	– 1.45	106	0.36	1.41	36.63	22.00
NYS	Merck Co.	MRK	72.00	70.88	–1.13	– 1.56	19	1.80	2.54	80.75	62.13
NYS	Mylan Labs	MYL	20.00	20.88	0.88	4.38	37	0.20	0.96	25.38	7.50
NYS	Par Pharmaceutical	PRX	7.00	7.00	0.00	0.00	350	0.00	0.00	11.25	3.88
NYS	Pfizer Inc.	PFE	69.25	65.00	–4.25	– 6.14	15	2.40	3.69	75.75	54.00
NYS	Rorer Group	ROR	61.00	61.50	0.50	0.82	23	0.84	1.37	64.63	36.13
NYS	Schering Plough	SGP	80.88	77.75	–3.13	– 3.86	19	1.80	2.32	87.50	59.38
NYS	Syntex Corp.	SYN	50.25	49.63	–0.63	– 1.24	18	1.48	2.98	54.50	36.50
OTC	Taro-Vit Industries	TAROF	1.00	1.00	0.00	0.00	33	0.00	0.00	1.88	1.00
NYS	Upjohn Co.	UPJ	36.88	34.88	–2.00	– 5.42	37	1.00	2.87	42.13	27.63
NYS	Warner-Lambert	WLA	111.38	107.50	–3.88	– 3.48	18	3.04	2.83	118.75	77.38
NYS	Zenith Labs	ZEN	0.19	0.19	0.00	0.00	—	0.00	0.00	2.75	0.19
Other retailer transactions											
NYS	Albertson's	ABS	53.25	51.25	–2.00	– 3.76	18	0.80	1.56	60.25	38.63
NYS	American Stores	ASC	57.75	55.38	–2.38	– 4.11	23	1.00	1.81	72.50	53.00
NYS	Giant Food	GFS.A	26.25	25.25	–1.00	– 3.81	14	0.48	1.90	36.25	22.13
NYS	Great Atlantic&Pacific Tea	GAP	52.00	52.25	0.25	0.48	0	0.00	0.00	65.38	47.00
NYS	K mart	KM	34.25	32.50	–1.75	– 5.11	9	1.64	5.05	44.88	32.38
NYS	Kroger	KR	13.25	13.50	0.25	1.89	– 59	0.00	0.00	19.75	9.13
NYS	Melville Corp.	MES	44.00	43.88	–0.13	– 0.28	12	1.40	3.19	53.63	39.00
OTC	Fred Meyer	MEYR	17.00	16.50	–0.50	– 2.94	13	0.00	0.00	23.00	15.25
NYS	Penney, JC	JCP	66.00	64.25	–1.75	– 2.65	10	2.24	3.49	75.63	50.75
NYS	Smith's Food & Drug	SFD	23.50	24.25	0.75	3.19	21	0.28	1.15	25.38	20.50
NYS	Wal-Mart	WMT	41.75	41.75	0.00	0.00	24	0.20	0.48	47.38	30.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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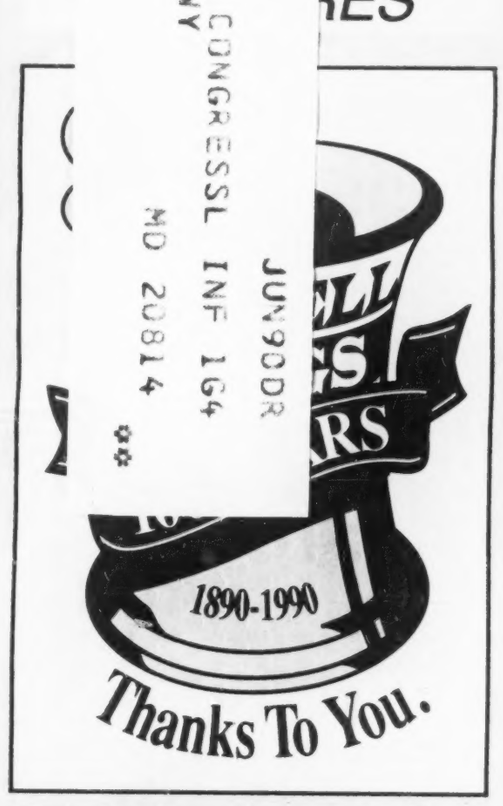


Bartells marks 100th with vendor promo

. . . all part of a centennial celebration Seattle won't soon forget. **Pages 2, 82.**

Assortment drives tobacco profits

Drug chains keep profit levels up by stocking a full range of brands. **Trends, page 15.**

LATE NEWS

• WILLOWDALE, Ont. — The newly-formed Canadian Association of Chain Drug Stores will hold its second meeting in June during the annual convention of the Canadian Pharmaceutical Association. The group, comprised of most of Canada's major drug chains, held what its chairman, Imasco Drug Retailing chairman David Bloom, called a "very positive" first meeting Feb. 23.

• CHICAGO — General Drug Co., the 44-year-old pharmaceutical wholesaler, was acquired by the Gimbel Investor Group for an undisclosed sum. Seymour Stoller, president of General, said the purchase should help the company exceed the $100 million annual revenue mark.

• OAK BROOK, Ill. — Sue Herrick, senior candy buyer at American Drug Stores, was chosen to buy cosmetics. She replaces Beverly Ehlebracht, who is leaving to work with Dick George's new retail operation.

Exodus continues at American Drug

Scott resigns as chairman; Maher named president

By James Frederick

SALT LAKE CITY — Dick Scott has resigned as chairman, chief executive and president of American Drug Stores, culminating a rapid series of departures of high- and mid-level executives at the 675-store company. He has been replaced by new president Dave Maher, a 27-year veteran of American Stores and its Osco division, who last served as vp in charge of the company's Intermountain region based in Denver.

Scott's departure was the latest in a series of abrupt resignations by upper-level American Drug executives. Several of those who have left were fellow West Coast retail veterans brought in by Scott himself, including Dominick Cavallo, senior vp-marketing operations; Dick Boyd, senior vp-pharmacy operations; and Alan Barker, vp, secretary and general counsel.

In addition, 10 other senior and middle-level managers have departed to join former Osco president Dick George in a new retail venture. *(See related story on this page.)*

Scott

Among them are former American Drug president Terry Hanson and John Kromer, former head of advertising and sales development.

American gave no indication of the reason for Scott's abrupt departure, other

See **Scott,** *page 85*

George launching new venture with American colleagues

George

WEST-CHESTER, Ill. — Ten executives and managers have left American Stores to join former Osco Drug president Dick George in launching a new chain of stores in the Chicago area. The stores—as yet without a name—will sell H&BAs, cosmetics and other drug store merchandise, but will not contain pharmacies.

Company officials, including George, have officially taken a "no comment" position on the new company. Sources close to the venture, however, gave these details:

• Financing has been completed for the new venture, with outside venture capitalists sharing a stake in the company with George and all officers and managers who have joined the firm from American. "All of these people will share ownership," one source explained.

• The firm, currently op-

See **George,** *page 85*

Revco says interest is high for targeted stores on block

TWINSBURG, Ohio — Revco D.S. has received "substantial interest" from potential buyers since announcing its plan to sell 712 drug stores in 17 states, chairman and chief executive Boake Sells told employees.

In a letter sent in early March to all employees, Sells noted that Revco has had "multiple expressions of interest from serious, qualified parties" in "every one of the 17 states" the stores are located in. The company's financial advisor, Lazard Frères, has mailed out letters to all parties who have expressed an interest in the stores, asking them to respond within "the next month or so" with a preliminary bid "for whatever

See **Revco,** *page 85*

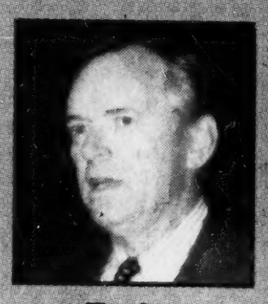
NACDS makes distribution personal

By Al Heller

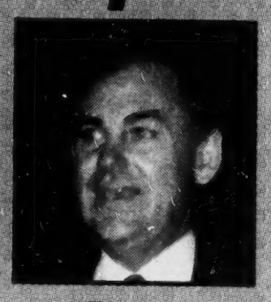
TAMPA — More than 300 chain and supplier distribution executives held some of their first face-to-face meetings *ever* at the recent inaugural NACDS Distribution Conference.

Unfiltered by suppliers' sales reps or chains' buyers, attendees heard first-hand the distribution concerns of their peers on the other side, as they openly shared anecdotes, problems, strategies and forecasts during the 48-hour session.

The predominant feeling: the forum on critical distribution issues was long overdue, and was a solid first effort by NACDS to address such meaty topics as EDI, bar coding, motor carrier trends, reclamation, the environment and, of course, strategies for the '90s.



Turley



Ziegler

Futterman

In an address to the general assembly, Eckerd's Ron Peterson, executive vp-merchandising and marketing, noted that distribution costs exceed $100 million annually at Eck-

Continued on page 83

Affiliated/Associated blows into the Windy City

CHICAGO — More than 600 chain drug members and vendors are expected to descend on the Chicago Hilton and Towers Hotel here this week for the largest booth show ever staged by Affiliated/Associated buying group or its predecessors.

More than 180 merchandise exhibits, ranging from the smallest suppliers to giants like Kodak, Polaroid, GE, Eveready, Richardson-Vicks and L'Oréal, will greet representatives of the 70-plus drug chains that have signed on for the show, Saturday, March 31 to Tuesday, April 3.

"This is the largest turnout in history," said Ed Matteucci, president of the buying group. "I'm delighted that the vendors have shown such support."

Except for Affiliated and Associated's special housewares shows held in past years at the same time as the national housewares exhibitions in Chicago, this will be the group's first venture outside Manhattan.

The choice of The Windy City for the spring show and of Atlanta next October was a deliberate attempt to intro-

See **Chicago,** *page 85*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

Revco set for Charlotte H&BA expo

CHARLOTTE, N. C. — This city will host its first Revco Health and Beauty Expo March 30-31 at the downtown Convention Center.

The free show, the first Revco has held outside its home market of Cleveland, will feature some 100 exhibitors of health, beauty and fitness products offering demonstrations, product samples, celebrity appearances and beauty makeovers. The event will also include health screenings and entertainment.

Co-sponsors are American Greetings, American Vitamin/Fields of Nature, Clairol and Pepsi-Cola.

Celebrities will include gold-medal diver Greg Louganis, NFL great Gale Sayers and actor Jeff Conaway.

This is our first expo to be held outside Cleveland," said vp-marketing services Bob Newmark. "We chose Charlotte because it's a growing city and an important market for Revco. It's the heart of our business in the South."

Last year's Cleveland Expo, to be held again this May, drew 100,000 visitors, he said.

Nelson named McK Drug's exec vp

SAN FRANCISCO — Douglas E. Nelson, 38, has been named to the new position of executive vp of McKesson Drug Co., the largest division of McKesson Corp.

Nelson

Nelson, who will report to McKesson Drug president Joseph Polastri, has headed McKesson's water division, which operates bottled drinking water businesses in six Sunbelt states, since 1983.

Industry sources say Nelson's appointment to the newly-created No. 2 spot at McKesson Drug indicates he is being groomed as a candidate to succeed Polastri, who is slated to become president of NWDA next year and who, at 62, is nearing retirement age.

Nelson joined McKesson's corporate planning and analysis department here in 1980.

Ziegler to recall Nixon years

ALEXANDRIA, Va. — Ronald L. Ziegler, NACDS president and ceo, will be one of 10 former White House press secretaries taking part in a PBS television program, "The Presidency: The Press and the People," scheduled to air Monday, April 2, at 9 p.m.

In addition to Ziegler, who was press secretary during the Nixon presidency, the panelists, and presidents they served, include Pierre Salinger (Kennedy), George Reedy (Johnson), Bill Moyers (Johnson), George Christian (Johnson), Jerald terHorst (Ford), Ron Nessen (Ford), Jody Powell (Carter), James Brady (Reagan) and Larry Speakes (Reagan). The program was recorded during a recent gathering of all living former press secretaries at the University of California at San Diego.

Rix to sell inner-city sites

AUBURNDALE, Mass. — Rix Dunnington has set plans to sell "three to five" of its older, small drug stores in inner city sites, chairman Richard Weinberg told *Drug Store News*. The 33-store chain is concentrating on developing larger 6,000-square-foot stores.

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Bartell Drugs to celebrate 100th anniversary in Seattle

By Susan Ball

SEATTLE — Bartell Drugs is throwing a year-long 100th anniversary celebration that Seattle residents will be hard-put to ignore.

The centerpiece is Bartell's first-ever vendor program, a 12-month promotion of new television, radio and increased print advertising backed by in-store merchandising and signage, circulars and other store support.

The centennial array also includes:

- A touring exhibit of old-time photos of Bartell stores, displays and ads.
- A free 1990 calendar for customers featuring reproductions of old shots of Bartell stores and ads.
- A desk calendar for employees.
- Bartell's "People Bus," a decorated city bus that will do double duty carrying customers to local attrac-

Continued on page 82

See page 82 for George H. Bartell Jr. profile

Bindley's new prez takes hard look at credit situation in LBO environment

INDIANAPOLIS — Keith Burks, Bindley Western Drug Co.'s new 32-year-old president and chief operations officer, said the company, like McKesson, will be looking at the credit situation in the retail community "very closely from now on," in light of the current highly leveraged environment.

Bindley Western took a $2.98 million charge for Revco account receivables in the fourth quarter, but Burks said, "We look on the bright side in a case like this [and ask]: What have we learned?"

Burks said the Revco situation has consumed "a fair amount of our time" and noted, "We work on incredibly small margins, and whenever you have even a small writeoff, there's a substantial effect on earnings." But he said he expects "things will fall into place sometime this year" with Revco's planned selloff of 712 stores.

Burks noted that, with 1989 revenues of $1.6 billion, Bindley Western has experienced a "tremendous amount of growth" in its 21 years. And that rapid expansion has provided opportunities for Burks, who started with the company after high school as a management trainee in a warehouse, to gain valuable experience first on the financial side and then in operations.

After going back to school to gain a degree in accounting, he worked for awhile for another company and then was offered a job as assistant controller at Bindley Western. From there, he progressed to controller and later moved to the operations side, eventually becoming head of the Indianapolis division. "That was a great learning experience, because the company gives its managers a lot of autonomy. It was like running your own company," he said. As a group vp, he became involved in corporate planning.

Automating in '90

Burks said the company will continue this year to automate its 10 distribution centers and convert them to full-line facilities carrying 15,000-17,000 SKUs, including H&BAs and OTCs. The process should be finished by year's end.

Looking to increase higher-margin opportunities, Bindley will also continue to cultivate business with deep discounters, combos, nonwarehousing chains, apothecaries, HMOs and hospitals. Sales to accounts other than chain warehouses amounted to $272 million in 1989 and represented 17 percent of total sales, up from 15 percent in 1988.

Excluding the Revco write-down and an extraordinary charge of $523,000 relating to a settlement with the government, Bindley Western's 1989 pre-tax earnings increased 53 percent over 1988. Sales for the year were $1.561 billion, 22 percent higher than the $1.275 billion of 1988, and earnings before the $523,000 charge amounted to $3.14 million, compared with 1988 earnings of $3.56 million.

Fourth-quarter sales rose 24 percent, to $448 million, while pre-tax earnings of $3.4 million were offset by the Revco charge, resulting in an approximate break-even for the quarter.

To increase higher-margin opportunities, Bindley will continue to cultivate business with deep discounters, combos, nonwarehousing chains, apothecaries, HMOs and hospitals. **-Burks**

Happy Harry's eyes larger format

NEWARK, Del. — Happy Harry's Discount Drug will be testing larger formats this summer, when it opens three new stores, including two that are nearly one-third larger than the chain's 7,000-square-foot prototype, president Alan Levin told *Drug Store News*.

"It's a refinement of sorts. . . we're coming to a size that gives us flexibility, and leaves us open to other options," he added. The stores will be in Millsboro, Hockessin and Pike Creek Valley, Del.

Two of the new stores will average 9,000 square feet, and the other 6,500 square feet. Aisles will be five feet wide, not its usual four-foot width.

The new stores will sport updated graphics, including an off-pink color scheme in areas that appeal to women, and peach elsewhere in the stores. He plans to update graphics in all 20 stores chainwide.

Consultation areas will be added adjacent to pharmacy, with a sliding window between the pharmacist and the patient.

Correction

Call it the *Drug Store News* Good Neighbor Policy, if you want to be kind. We are chagrined, however, that when mapping Revco's Western states targeted for divestiture (Feb. 19, p. 1), we mistakenly placed Colorado within the outline of Wyoming. We didn't mean to offend citizens of either state. Thanks to numerous readers for pointing this out.

SPECIAL SAMI REPORT

Million-dollar brands post sales of almost $2 billion

Million-dollar brands that made their first appearances in the 1980s generated $1.96 billion in drug store sales in the year ended Dec. 29, 1989. This figure reflects 52 health and beauty aid categories tracked by SAMI, and represents 23.8 percent of the $8.23-billion drug store total for 1989.

In all, 971 different brands accounted for $1 million or more apiece during the year in drug stores alone. There were 704 different million-dollar brands in these same categories found in food stores. These are but some of the highlights gleaned from SAMI's year-end million-dollar-brand reports, which have just been published and distributed to manufacturer subscribers.

PRODUCT TRACKING
ALAN MILLER

The most productive H&BA "brand of the '80s" is Advil, which first appeared in June 1984 and now generates the highest annual sales. Ranked second: Alcon eye care products, first introduced in June 1982. Each of these brands was responsible for more than $50 million in drug store sales in 1989.

The dry grocery: food brand launched in the '80s with the highest drug store volume last year was Thompson Medical Co.'s Ultra Slim Fast. The top contender among dry grocery: non-foods: Kimberly-Clark's Huggies Super Trim Disposable Baby Diapers, first marketed in October 1986.

Hair setting needs was the H&BA category holding the highest share of current drug store sales among new brands of the '80s. It includes 20 new brands spawned by the success of hair styling mousse and gels. These brands contributed 73.6 percent of the category sales volume in drug stores, totaling nearly $100 million in drug stores alone.

Twenty-one new brands of hair spray accounted for $1 million or more in 1989 in drug stores; they represented 45.2 percent of the total category dollar volume. Helene Curtis' Salon Selectives launched in December 1987 has become the No. 2 contender in this category.

In the first aid antiseptic category, the top three brands were not on retail shelves until 1980 and 1981, when over-the-counter sales of cortisone products were first allowed. Twelve new antiseptic brands of the '80s had 1989 volume amounting to $86.6 million, or 47.7 percent of drug store volume in this product category.

The proliferation of tartar control and kid's toothpastes led to 16 new brands during the decade, with drug store sales of $106.2 million. Two of these brands, Crest Tartar Control and Colgate Tartar Control, are now among the top five brands in the category. Crest Tartar Control has assumed the No. 1 toothpaste position.

Coincidentally, there were 21 new million dollar brands of the '80s in three hair care needs categories: hair spray, as noted, hair conditioning rinses, and shampoo. New products accounted for 42.6 percent of the 1989 volume for hair conditioning rinses in drug stores.

Two of the top three hair conditioners, Salon Selectives and Finesse, were introduced in the 80s. The No. 3 shampoo brand, Procter and Gamble's Pert Plus, was launched in December 1986. In many instances, leading new shampoos were also high-ranking hair conditioners—Jhirmack, Vidal Sassoon, Finesse, Salon Selectives and Suave, to name five.

There were only two million-dollar-plus razor sets introduced in the '80s: Gillette Atra Plus and Gillette Trac II Plus, but these were the top ranking brands in the category in 1989, accounting for 41.2 percent of the category's drug store sales.

Eye care has grown steadily in food and drug stores, as contact lens products have multiplied. Fifteen new brands of the '80s accounted for 37.1 percent of the category's drug outlet sales in 1989.

New products churn each year in cold remedies. The 17 brands of the '80s, which are still active, were responsible for almost a third of 1989 category sales.

Among mouthwashes, the highest-ranking new brand was Pfizer's Plax, in third place after being introduced in January 1986. Thirteen new hand and body creams and lotions were first marketed in the '80s, and three of these were among the top 10 brands in the category last year: Vaseline Intensive Care Hand & Nail Lotion, Curel and Moisturel.

Recently, measured diet meals, particularly Slim Fast and Ultra Slim Fast, have been stealing the thunder from appetite suppressants, but four new products of the '80s accounted for 29 percent of category volume. The best selling brand of hair dressing needs, where men's hair grooming products and ethnic items are found, was Care Free, introduced at the end of 1980.

In spite of highly competitive new product activity in most categories of H&BAs during the decade just past, there were still 11 categories where no million-dollar brands bowed during the last ten years. These categories include baby powders, infant clothes, cream deodorants, feminine douches, chest rubs and denture adhesives.

Where new product action was in H&BA categories in drug stores during the 1980s

(Product categories with the highest share of current volume from million-dollar-a-year brands in drug stores introduced 01/01/80-12/29/89)

Category	Share of current volume contributed by million dollar brands launched in the 1980s	Number of million dollar brands of the 1980s
Hair setting needs	73.6%	20
First aid antiseptics	47.7	12
Hair spray	45.2	21
Toothpaste and powder	44.2	16
Hair conditioning rinses	42.6	21
Razor & blades	41.2	2
Eye care products	37.1	15
Shampoo	36.0	21
Razor blades	32.8	9
Toothbrushes	32.5	5
Cold remedies	32.4	17
Mouthwash	29.7	8
Hand & body cream - lotion	29.4	13
Appetite suppressants	28.6	4
Hair dressing needs	27.3	6
Suntan lotion - suntan oil	26.3	10
Feminine hygiene deodorants	23.0	2
Home permanent kits	22.6	3
Spray deodorants	21.5	7
External analgesics	21.5	3
Facial preparations	21.3	14
Internal analgesics	20.9	10

Source: Arbitron/SAMI

Agreement reached on McK buy of PCS common stock

SAN FRANCISCO — McKesson Corp. and PCS have reached a definitive merger agreement whereby McKesson will make a tender offer to acquire all the publicly held shares of PCS common stock at $20 per share in cash. McKesson, which currently owns about 86 percent of PCS's outstanding stock, had originally proposed, on Dec. 22, to acquire the outstanding shares for $15 a share.

Under the agreement's terms, McKesson will acquire any PCS shares not purchased in the tender offer in a subsequent merger transaction at the same $20 per share cash price.

Approval of the merger agreement and offer was based on several factors, including the recommendation of a special committee of the PCS board and the opinion of First Boston Corp., the PCS committee's financial adviser, which was that the proposal is fair from a financial point of view.

McKesson said that in consideration of its agreement to proceed with the acquisition, its lawyers and lawyers for the plaintiff in a outstanding-stockholder lawsuit have reached an agreement in principle to settle the suit, which related to McKesson's ownership of PCS and its proposal to acquire PCS's publicly held shares. The settlement is subject to judicial approval, which is being sought.

McKesson said the tender offer will begin soon. Morgan Stanley & Co. is acting as McKesson's financial adviser on the transaction and will act as dealer manager for the tender offer.

McKesson Corp. also recently announced completion of a previously reported transaction in which Provigo Inc. of Montréal sold its subsidiary, Medis Health and Pharmaceutical Services Inc., to a new corporation jointly owned by Provigo and McKesson. Medis, based in Kirkland, Québec, is the largest pharmaceutical distributor in Canada and the only one with nationwide distribution.

Revco D.S. gains more time for reorganization

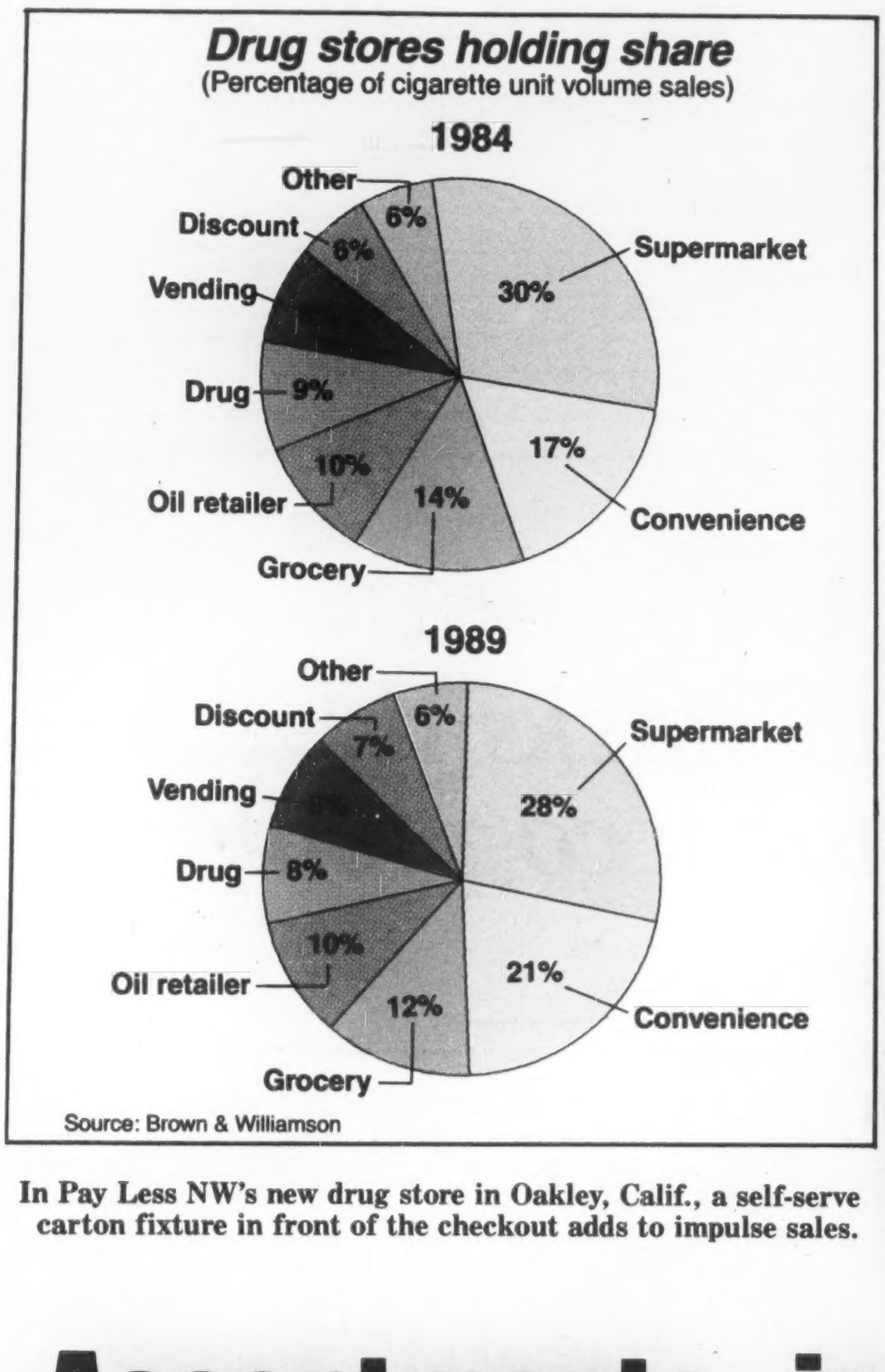
AKRON, Ohio — U. S. Bankruptcy Court here has granted Revco D.S. a further extension of the period within which the chain has the exclusive right to file and gain approval of a plan of financial reorganization.

The court in late February gave Revco until July 31, 1990 to file a reorganization plan, and until Oct. 31, 1990 to obtain approval of the plan from its creditors.

The exclusivity arrangement, common in Chapter 11 bankruptcy proceedings, leaves Revco free to negotiate with its creditors without having to entertain takeover or reorganization proposals from outside bidders.

In January, the company completed and shared with its creditors a revised five-year business plan which calls for the sale of more than 700 stores in Western markets, and the focusing of Revco resources on more than 1,100 stores in 10 contiguous Eastern states.

TRENDS



In Pay Less NW's new drug store in Oakley, Calif., a self-serve carton fixture in front of the checkout adds to impulse sales.

Assortments, in-stocks drive tobacco profits

Although unit sales of cigarettes are declining at some drug chains, mirroring the tobacco industry overall, many operators have been able to maintain and even boost category profits.

Some chains buck the sliding sales trend by committing to broad assortments and in-stock positions so smokers always know where they can find their favorite brands. Another important trend is that higher-margin generics, sub-generics, and single packs are assuming larger shares of category volume, buyers told *Drug Store News*.

Sub-generics—lower-priced generics which can sell for half the price of branded goods—are bursting onto the scene at a time when vendors' costs hikes and federal and state excise taxes have pushed the price of a carton of branded cigarettes to over $15 in many states.

Some buyers feel that kind of price advantage gives sub-generics the potential to follow in the footsteps of generics, the segment that in eight years has captured 15 percent of the market.

"I think they'll catch on just because of the price point. And there will be a variety of choices," said Rick Burns, Snyder Drug's tobacco buyer in Minneapolis.

At Snyder's, a carton of sub-generics such as Philip Morris's Bristol and Liggett Group's Pyramid retails for $9.99, compared with $12.99 for a branded generic and $15.69 for a brand.

Oregon's Pay Less NW has posted annual same-store sales gains by emphasizing in-stock positions and variety. The stores capture smokers who want outlets that are consistently in stock with their brands, said buyer Steve Elliott.

Room to breathe

To promote better assortment and inventory, last year Pay Less moved from a six- to a seven-row, three-sided carton end display. The self-service fixture is near the information counter at the front of the store.

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Top 10 brands improve market share

Brand	Company	1989	1988
Marlboro	Philip Morris	26.3%	24.9%
Winston	RJR	9.0	10.7
Salem	RJR	6.2	7.3
Kool	Brown & Williamson	6.0	6.0
Newport	Lorillard	4.7	4.4
Camel	RJR	3.9	4.4
Benson & Hedges	Philip Morris	3.9	4.0
Merit	Philip Morris	3.8	3.8
Doral	RJR	3.7	3.4
Virginia Slims	Philip Morris	3.2	3.0

Source: John Maxwell, Jr., Wheat First Securities

"Trade loading" trades places with partnership

Curtailment of the practice of "trade loading," led by R.J. Reynolds, accounted for 2 percent to 3 percent of the 6-percent drop in vendors' unit shipments in 1989, industry sources estimate.

RJR has replaced the trade-loading practice with a program aimed at achieving better sell-through at retail, called "Winners—Partnership and Performance," according to RJR spokesman Seth Moskowitz.

With trade loading, the vendor was providing tobacco wholesalers with discounts if they purchased more cigarettes than they needed to meet demand from their retail accounts. Besides inflating vendors' sales numbers, the practice created inventory management problems. From the retailer's viewpoint, there was more likelihood of receiving stale product.

"This year we are shipping product in line with what the retail takeout is," said Moskowitz.

The payments to wholesalers were replaced with the "Winners" incentive program launched in January, which gives vendors' direct-buying customers the chance to earn up to $5 for every case they buy.

Bonus earnings are based on customers' success in meeting certain criteria which pertain to servicing their retail accounts. They cover such issues as assortment, inventory management, product quality, new product introductions, invoice payment procedures, retail presence, and brand distribution, display, and promotion, Moskowitz said.